

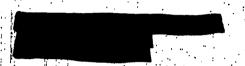
## DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE WASHINGTON, D.C. 20224

Date: SEP 2 3 2002

Contact Person:

ID Number:

Telephone Number:



Employer Identification Number:

Dear Applicant:

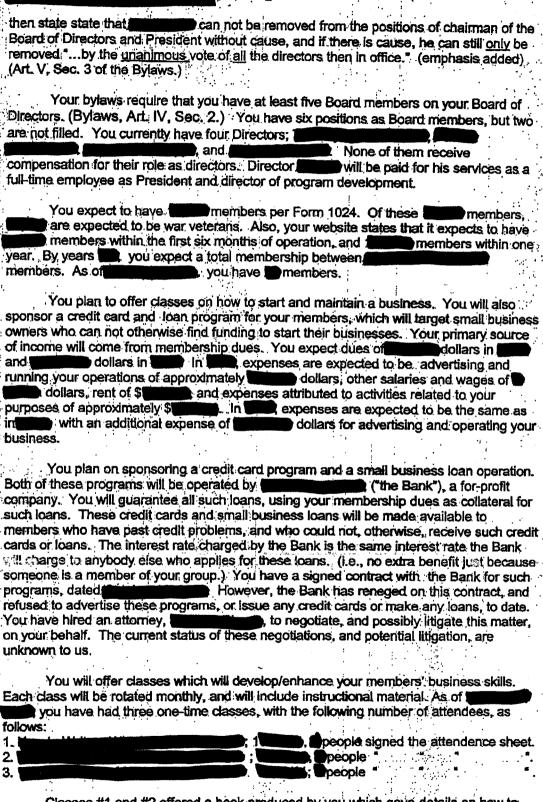
We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(19). Based on the Information submitted, we have concluded that you do not qualify for exemption under that section. The reasons for our conclusions are set forth below.

You were incorporated in the State of the control o

"to promote the social welfare of the communities in which veterans of the U.S. armed forces reside or work by providing educational and financial resources to develop and further the entrepreneurial skills and opportunities of veterans of the U.S. armed forces...."

Bylaws, Art. II

You are a membership organization. You require that your members be veterans of the United States armed forces. You now have members. None of your members have any voting rights. Instead, you are run and operated by your Board of Directors. No member shall be entitled to vote or have any voice in the management of the corporate affairs per your Articles of Incorporation and Bylaws. (Art. of Incorp., Art. III; Bylaws, Art. IV, Sec. 1.) A Board member serves until he dies, resigns, is declared bankrupt, or found incompetent by a court. Decisions are made by the majority of the Board, unless noted otherwise. (Art. of Incorp., Art. IV) Board members may be paid for their work as Board members, or in any other capacity when working for you. (Bylaws, Art. IV, Sec. 12.) The Bylaws state that the removal of the Board as a director are subject to the same conditions applicable to his removal as an officer. (Bylaws, Art. IV, Sec. 2). The Bylaws



Classes #1 and #2 offered a book produced by you which gave details on how to set up a business. (basic accounting, legal, and administrative requirements.) Class #3

included a seven page handout discussing the accounting, banking, and insurance requirements of operating a small business.

You also offer a discount program, in which your members will give a 10%-20% discount to fellow members when purchasing items from fellow members. You also offer a Accounting and Payrolf Services Program for Small Businesses which will provide accounting and payroll services for your members, when needed.

Other revenues will come from fundraising programs which you will have in the various state chapters of your organization. These will include raffles, dinners, and auctions. These revenues will be used to set up a "vet center" in various states throughout the USA. Other revenues will come from state and federal grants that are available to "community based " programs, such as yourself. (Ex., Federal Title 7 Welfare to Work Program.)

Currently, no one is receiving a salary from you. You have told us that your President and Director, will be chosen as director of program development based upon his many years of experience in the Veterans Affairs Department. He expects to work 40-60 hours per week, and expects to be paid for his services. You have not told us how much you plan to pay him for this full-time position.

Your Board of Directors has met twice since inception; on You currently have a contract for services with the Veteran's Department's Which is run by your President, Which is run by your President, You do not think that this contract will be renewed, but if it is renewed, you have told us that Which is will not stay as Director/President of both organizations.

Section 501(c)(19) of the Code provides for the exemption from federal income tax of a post or organization of past or present members of the Armed Forces of the United States; or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—(A) organized in the United States or any of its possessions, (B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, or widowers of past or present members of the Armed Forces of the United States or of cadets, and (C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(19)-(1)(c) of the Income Tax Regulations provides that you must be operated for one or more of the following eight purposes in order to be exempt under this code section. They are:

- -To promote the social welfare of the community as defined in Treas. Reg. 1.501(c)(4) 1(a)(2).
- -Assist disabled and needy war veterans and members of the United States Armed Forces and their dependents, and widows and orphans of deceased veterans,
- -Provide entertainment, care, and assistance to hospitalized veterans or members of the Armed Forces of the United States,
- -Carry on programs to perpetuate the memory of deceased veterans and members of the Armed Forces and to comfort their survivors,
- -Conduct programs for religious, charitable, scientific, literary, or educational purposes,

Sponsor or participate in activities of a patriotic nature,

Provide insurance benefits for their members or dependents of their members (or both). (Note: The provision of insurance benefits for members and dependents is not considered to be prohibited inurement for IRC 501(c)(19) purposes.) or

Provide social and recreational activities for their members.

An analysis of the information you have submitted shows that you have had little activity over the past twelve months. You have had only three classes to date, and these classes had fewer than 10 students. You state that you will aid your veteran members by offering them credit cards and loans, and yet you have offerred neither any credit cards to your members, nor any loans. Your lender and credit card offerer, has ceased doing business with you. Although you have hired an attorney to try to resolve matters with you have not informed us when, if ever, this matter will be resolved in your favor. Your Board has only met twice in over a year. Two of your six Board members resigned, and were never replaced. Your bylaws require five Board members, and there are currently only four members on the Board.

A majority of your proposed activities will be for fundraisers and the provision of credit cards/loans. The primary purpose of your activity is to raise money or make profits, which you will use to pay your President and your employees as wages/compensation. You show wages in excess of the compensation and other employees.

In conclusion, you have conducted little activity to date. Your planned activities are not among those listed as permissible for an organization described in section 501(c)(19) in section 1.501(c)(19)-(1)(c) of the regulations. Your planned activities resemble the operation of a business and serve the private interests of your President.

Based on the above, we conclude that you do not qualify for exemption as an organization described in section 501(c)(19) of the Code and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruting will become final and a copy will be forwarded to the Ohio EP/EO key district office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, EP/EO Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service.
T.EO:RA:T:4; Room:3E5
1111 Constitution Ave. N.W.
Washington, D.C. 20224
fac. (202) 283-8937;

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

(signed) Gerald V. Sack

Gerald V. Sack Manger, Exempt Organizations Technical Group 4

T:EO:RA:T:4